

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 966 – SB 1025

March 31, 2011

**SUMMARY OF AMENDMENT (005277):** Defines “home state” under the Surplus Lines Insurance Act. Permits Tennessee to license only surplus lines brokers who conduct surplus lines business with insureds for whom Tennessee is the home state. Authorizes Tennessee to join the Surplus Lines Insurance Multi-State Compliance Compact, which will establish a Commission to determine the proper procedure for collecting and allocating surplus lines premium tax revenues across the states. Establishes a five percent premium tax collection rate on surplus lines business in Tennessee.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$1,300

Other Fiscal Impact – The Department of Commerce and Insurance is unable to determine the net revenue impact from joining the Surplus Lines Insurance Multi-State Compliance Compact. The definition of "home state" will enable Tennessee to collect premium taxes from some companies that are domiciled in Tennessee but are not currently subject to tax, but will also prevent Tennessee from collecting premium taxes from some companies with property in Tennessee that are not domiciled in Tennessee. The net effect of this change cannot reasonably be quantified but is likely to result in revenue gains exceeding \$1,000,000 and revenue reductions exceeding \$1,000,000. In addition, the tax rate set by the Compact may be higher or lower than Tennessee's current premium tax rate and may result in an increase or reduction in premium revenue also exceeding \$1,000,000.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions applied to amendment:

- According to the Department of Commerce and Insurance, license fee revenue will remain at the current level.
- According to the Department of Commerce and Insurance, there is no fee for joining or for membership in the Compact.

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- Attendance in-person or via conference call is required for the Compact's annual meeting. The location has not been determined; therefore, precise per diem reimbursements are currently unknown. The Department of Commerce and Insurance estimates the cost for one person to attend the meeting in-person is \$1,300.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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